EVERFI®

Modern Money: Safe Digital Banking™

Peer-to-Peer Transactions

NAME ______________________________ DATE ______________

P2P GRAPHIC ORGANIZER

INSTRUCTIONS

Not all peer-to-peer (P2P) payment apps are the same. Fill out this graphic organizer with information about how they can differ.

1. Where does the money come from?

One of the main differences among P2P payment apps is where the money is coming from that you want to send to someone else. Read through the information provided to complete this organizer about the pros and cons of each money source.

MONEY SOURCE *What are the four main sources you can connect to a P2P payment app? Where is your money coming from in order to send to others?*	PROS *What is the benefit of having a P2P payment app connected to this money source?*	CONS *What is a drawback of having a P2P payment app connected to this money source?*

2. Overall pros and cons of P2P payment apps

Regardless of where the money comes from, what are some pros and cons related to all P2P payment apps that you need to be aware of when choosing one to use.

GENERAL BENEFITS OR PROS TO USING P2P APPS	GENERAL DRAWBACKS OR CONS TO USING P2P APPS

P2P APPS: SCENARIO ACTIVITY – GROUP 1

INSTRUCTIONS

Read through the scenarios below and determine all of the possible options the individual could use to pay. Place a checkmark next to each acceptable method of payment. Then, select the payment option you would recommend. Be prepared to justify your decision.

Scenario 1

On a break from school, Leslie walks to Burger House to grab some lunch. Her bill is $7.25. How should she pay?

Leslie's Wallet:

CASH *$5.00*	CREDIT CARD *$3,000 (available limit)*	DEBIT CARD *$145 (account balance)*	PEER-TO-PEER APP *(linked to her debit card)*
☐	☐	☐	☐

What payment choice would you recommend? Why?

Scenario 2

Jerome is meeting some friends for coffee. His portion of the bill is $3.25, and he'll need to pay his friend back. How should he pay?

Jerome's Wallet:

CASH *$20.00*	CREDIT CARD *$800 (available limit)*	DEBIT CARD *$650 (account balance)*	PEER-TO-PEER APP *(linked to his debit card)*
☐	☐	☐	☐

What payment choice would you recommend? Why?

P2P APPS: SCENARIO ACTIVITY – GROUP 2

INSTRUCTIONS

Read through the scenarios below and determine all of the possible options the individual could use to pay. Place a checkmark next to each acceptable method of payment. Then, select the payment option you would recommend. Be prepared to justify your decision.

Scenario 3

Chi is buying tickets to a concert from a popular website. The total will be $75. How should she pay?

Chi's Wallet:

CASH *$45.00*	CREDIT CARD *$1,500 (available limit)*	DEBIT CARD *$500 (account balance)*	PEER-TO-PEER APP *(linked to her credit card)*
☐	☐	☐	☐

What payment choice would you recommend? Why?

Scenario 4

Nick is going to the hospital to have an x-ray taken. He will owe $145. How should he pay?

Nick's Wallet:

CASH *$200*	CREDIT CARD *$1,000 (available limit)*	DEBIT CARD *$400 (account balance)*	PEER-TO-PEER APP *(linked to his debit card)*
☐	☐	☐	☐

What payment choice would you recommend? Why?

P2P APPS: SCENARIO ACTIVITY – GROUP 3

INSTRUCTIONS

Read through the scenarios below and determine all of the possible options the individual could use to pay. Place a checkmark next to each acceptable method of payment. Then, select the payment option you would recommend. Be prepared to justify your decision.

Scenario 5

Diego is buying some used books from someone he doesn't know. They've asked him to send money before they will mail him the book. The total cost is $8. How should he pay?

Diego's Wallet:

CASH *$10.00*	CREDIT CARD *$4,000 (available limit)*	DEBIT CARD *$325 (account balance)*	PEER-TO-PEER APP *(linked to his debit card)*
☐	☐	☐	☐

What payment choice would you recommend? Why?

Scenario 6

Anna is taking an art class and needs to buy supplies from the campus store. The total cost for her supplies is $185. How should she pay?

Anna's Wallet:

CASH *$20.00*	CREDIT CARD *$2,250 (available limit)*	DEBIT CARD *$150 (account balance)*	PEER-TO-PEER APP *(linked to her credit card)*
☐	☐	☐	☐

What payment choice would you recommend? Why?

EXIT TICKET

INSTRUCTIONS

Answer the following questions using complete sentences. Think about the information we covered in class today.

What is peer-to-peer payment app?

Describe a scenario in which it would be a bad idea to use a peer-to-peer app. Include at least one sentence explaining why a P2P app should not be used in this instance.

List at least two steps that you can take to protect yourself when using P2P apps.

HOMEWORK

INSTRUCTIONS

Ask your parent or another adult at home the following questions about their peer-to-peer app usage.

Individual Interviewed: ____

Do you use peer-to-peer apps? If so, which apps do you use?

What are some common situations in which you choose to use a peer-to-peer app? List at least two.

Bonus: Ask your parent or the adult you are interviewing which safety measures they currently use when paying with their P2P apps. For each measure that they use, place a checkmark in the box. If they use safety features not listed here, write them in the blanks provided.

- [ ] I use a PIN or fingerprint to gain access to my P2P app.
- [ ] I connect my P2P app to a credit or debit card instead of storing money within the P2P app.
- [ ] I only send money to people that I know.
- [ ] I use a passcode or thumbprint to gain access to my phone.
- [ ] I have read the terms and conditions for all the apps I use.

RESOURCE MATERIALS

What are Peer-to-Peer Payments?

Adapted from: https://www.discover.com/credit-cards/resources/what-are-peer-to-peer-payments/

Peer to peer payments, or P2P payments, are transactions that can be used for anything from splitting a $30 dinner bill between friends to paying your rent. These payments allow the transfer of funds between two parties using their individual banking accounts or credit cards through an online or mobile app. They are becoming popular among people of all ages with no signs of slowing. It is expected that mobile P2P transactions could reach $86 billion in the United States in 2018.

How Peer to Peer Payments Work

Peer to peer payment accounts are typically relatively simple to set up. For whichever platform you choose, you'll sign up for an account then link your bank account or credit or debit card to it. Some apps might require further verification information and passwords to increase security. After your account is set up you can find other users by their username, their email, or your phone contacts.

Sending and receiving money is usually just a couple of clicks away after that. You choose who you are sending money to, the amount of the transaction, add a reason for payment if you desire, then submit the payment. Depending on which P2P payment service you use, the time it takes for money to transfer can range anywhere from a few seconds to three business days. Many applications keep the money stored in the app until you manually release the money into your personal banking account.

P2P Payment Benefits

For the most part, peer to peer payments work just like taking money out of ATM minus the hassle of finding one to reimburse the recipient. Some P2P payment services charge a flat- fee or low percentage fee. Some P2P do allow for fee-free payment, however. Research the providers to see what if any fees are associated with making transactions.

The Potential Security Risks of P2P Payments

While for the most part, P2P services are secure, there are always risks involved when sending money online. Whether you accidentally send money to the wrong user or you risk becoming the victim of a data breach, issues can arise. The bigger issue that comes with a fraudulent or mistaken transaction is that getting refunded can be more difficult, especially if you are using the funds from the app and not from your bank. Many P2P payment providers use precautions to lower these security risks, from passwords and PINS to transaction notifications that confirm whether users did indeed send money.

How fast are P2P payments? What do they cost?

Source: https://www.nerdwallet.com/blog/banking/p2p-payment-systems/

Keep these things in mind when you use peer-to-peer payments:

You have to wait for the money. Although transaction notifications are sent right away, the money itself may take one to three business days. Some providers are faster, and some also offer instant transfers for a fee.

Paying might cost you. Generally speaking, you can make P2P payments from a linked bank account or straight from the P2P account for free. But some providers charge fees — 2% or 3% to process payments drawn from a credit or debit card, for example — for other payment methods.

Comparing electronic P2P payment options

By Monica Steinisch

Adapted from: https://www.consumer-action.org/downloads/english/CA_News-P2P-payments.pdf

Before you can send money, you have to designate a source of funds. Depending on the service, you may be able to fund your payments by checking or savings account, debit card, credit card or cash. Not all P2P processors will accept all sources of funds. For example, your bank P2P service, Popmoney and Dwolla will only accept funds from a linked checking or savings account. Venmo allows you to fund payments from a bank account, a debit card or a credit card. Amazon WebPay permits payments funded with a credit card. PayPal lets you fund payments with all options.

PayPal, Venmo, Dwolla, Serve and Amazon WebPay all allow you to fund payments from your "prefunded" account balance with them. Prefunding means putting money in your account (or allowing money you receive to stay in the account) to be used as needed for future transactions. Prefunding is useful when you are using cash or when you are putting money in an account for someone else to use (like a child away at college).

How to avoid, resolve P2P payment problems

By Monica Steinisch

Adapted from: https://www.consumer-action.org/downloads/english/CA_News-P2P-payments.pdf

The protections you have if something goes wrong are based mainly on how you fund the payment. This can get complicated. P2P payments, including those made via a mobile device, that are linked to a credit or debit card or bank account receive the same guaranteed federal protections as any other type of transaction made with those payment options.

So if the source of your P2P payments is your checking or savings account or the debit card linked to it, your liability for fraudulent or unauthorized electronic transfers is limited to $50. But you must report the missing card (or the missing mobile device used to access the account) to the financial institution within two business days. Your liability can reach $500 or even more if you take longer to report the incident. If you find unauthorized charges on your bank statement, but you haven't lost your phone or debit card, you won't lose any money as long as you report the transaction(s) within 60 days of the statement showing the unauthorized activity. Any missing funds should be replaced within 10 business days.

A credit card offers even better protections for funding a P2P or mobile payment. In addition to avoiding the risk of someone draining your bank account, even temporarily, the law caps your liability for unauthorized charges made with a lost or stolen credit card (or linked mobile device) at $50—and most card issuers waive that as part of a voluntary zero liability policy. If just your credit card number is stolen, you have no liability for unauthorized transactions.

If you have any questions about which type of card your P2P payments are linked to or how the payments are being funded, ask the P2P processor directly since the consumer protections can be vastly different. Middleman may matter If your P2P payment is not funded by a linked credit or debit card, or checking or savings account, the intermediary (or payment processor) may affect your liability for losses.

Linking your payments to a credit card (if possible) or using P2P services through your financial institution are the two strongest ways to protect yourself against bogus transactions or mistakes. If your payments are drawn instead from a P2P account balance or from a prepaid card, compare several P2P processor options, read the user agreements carefully, and understand what protections each option offers if, for example, a payment gets sent to the wrong person or is for the wrong amount. Once you start making P2P payments, check your transaction statements regularly since your liability for losses may depend on how quickly you report a problem.